

## PRIVATIZATION HURTS MINORITIES

Social Security is the single most important source of income for African-American and Hispanic retirees. On average, it provides about three-quarters of their retirement income. For 1 in 2 African-American or Hispanic seniors, Social Security benefits provide 90 percent or more of their total income. A General Accounting Office (GAO) report (see [appendix](#)) concluded that proposals to privatize Social Security would likely harm minorities, by reducing the progressivity of the system and reducing disability and survivor benefits, features which are particularly beneficial to people of color:

- Social Security provides insurance against the risk of having low lifetime earnings. It has a progressive benefit formula that provides higher benefits, relative to earnings, for low-wage earners than for high-wage earners. This is an important feature of Social Security for many members of minority groups. Median earnings for African-Americans were about \$15,000 in 1996; for Hispanics the median was \$14,000. The median for the general population was \$19,000. Under privatization, lower-wage workers would lose part of the extra boost provided by Social Security's progressive structure. This is because individual savings accounts – which are based on a flat percentage of earnings (i.e. a non-progressive structure) – would be substituted for Social Security benefits – which are calculated on a progressive basis.
- Retirees who are minorities are more likely to depend heavily on Social Security to provide retirement income. Only 28 percent of African-American retirees, and 21 percent of Hispanic retirees, have a pension other than Social Security. They have little to fall back on should Social Security benefits be reduced as a result of privatization.
- The median income of African-American seniors is modest – in 1998, it was less than \$8,000 for singles, and about \$22,000 for married couples. For Hispanic retirees, median incomes are even lower – \$7,800 for singles and \$17,200 for couples. With such modest budgets, the guaranteed monthly benefit provided by Social Security is especially important, since there is little room to cut should income drop unexpectedly – as could happen with private investment accounts.
- Social Security provides disability and survivors benefits that are unmatched in the private sector. This protection would be undermined in a privatized Social Security system. These benefits would have to be cut to pay for the accounts, yet the accounts would be unable to make up for the loss of these benefits. Disability and survivor insurance protection is especially important for African-Americans, who have higher rates of career-ending disability or premature death. In 2001, African-Americans comprised only 13 percent of the U.S. population, but accounted for 18 percent of Social Security disability beneficiaries.

- Social Security is family insurance. Those who are financially dependent on a breadwinner who dies, becomes disabled, or retires are entitled to receive benefits. These include the spouse, minor children, and adult children who were disabled as children. It would be difficult for an individual savings account to provide the same degree of income security to a workers' dependents that Social Security does today, because there would only be a fixed pot of money to meet the needs of all dependents. Social Security's family benefits are particularly important to African-American families: nearly one-fifth of all African-Americans who receive Social Security benefits are children.
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